

1997 SMALL BUSINESS PROFILE

SMALL BUSINESS: BACKBONE OF THE WASHINGTON ECONOMY

The importance of small business to the state of Washington is evident in the 1997 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy. Not only do small businesses play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

Number of Businesses - In 1996, Washington had 167,647 businesses with employees; 98.3 percent of the businesses were small businesses (percent based on 1994 data for independent businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 226,000 self-employed persons in 1996, for an estimated total of 393,647 businesses.

Small Business Income - The income of sole proprietors and partners rose 5.5 percent to \$11.5 billion in 1996, while wage-and-salary income rose 7.5 percent. Total personal income rose 7.3 percent to \$88.4 billion. The state also exported \$25.5 billion of goods in 1996.

Minority Businesses - According to The National Foundation for Women Business Owners, as of 1996, there were 188,400 women-owned businesses in Washington, including part-time firms, employing 509,800 people and generating \$61.6 billion in sales. Between 1987-1996, the number of women-owned businesses, increased 91.8 percent.

According to the latest Bureau of the Census data, the number of Black-owned firms, including part-time firms, increased 77.1 percent from 1987 to 1992, totaling 4,575 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 126.8 percent during the same time period with 6,093 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 8,241 in 1987, to 15,648 in 1992, representing a 89.9 percent increase.

Business Turnover - The number of new firms increased 3.5 percent, while new business incorporations decreased 2.9 percent in 1996. Financial difficulties leading to business bankruptcies increased by 6.3 percent and business failures increased by 12.7 percent during 1996.

Finance - An SBA Office of Advocacy study found that the number of banks in Washington decreased from 87 in 1994 to 82 in 1996. The study also found the top lenders to small businesses in fiscal year 1996 were:

Bank Name	Location
BANK OF THE WEST	Walla Walla
TOWNE BK	Woodinville
ISSAQUAH BK	Issaquah
NATIONAL BK OF TUKWILA	Tukwila
BANK OF PULLMAN	Pullman
PEND OREILLE BK OF WA	Newport
INTER BK	Duvall
FIRST CMNTY BK OF WA	Lacey
NORTH SOUND BK	Poulsbo
FARMERS & MRCH BK OF ROCKFOR	Opportunity
FRONTIER BK	Everett
WASHINGTON TR BK	Spokane
BANK OF AMER NW NA	Seattle

Job Growth - Small businesses created all of the net new jobs from 1992 to 1996. Very small businesses (less than 20 employees) represented 85.6 percent of the small business growth with 220,733 new jobs. These numbers clearly reflect the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	177,103	43,630	12,205	24,898	(31,578)	226,258
Manufacturing	2,342	3,934	787	12,365	(26,179)	(6,751)
Retail Trade	37,415	6,047	1,581	(2,232)	558	43,368
Services	90,968	19,178	8,341	10,287	16,949	145,722
Other	46,378	14,471	1,498	4,478	(22,905)	43,920

Industries - The composition of small business in Washington is very diverse. The Eating & Drinking Places industry is the largest small business employer in Washington, followed by Health Services. The fastest growing industry for small business is Nondepository Credit Institutions (represents industries that were at least 0.25% of the 1994 total).

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1994, the latest year available.

Table 1, Top Five Industries in Washington by Employment, 1994

Industry	SIC	Employment Total	Percent of Total	Percent Small
Total - All Industries	--	1,894,670	100.0	59.0
Health Services	8000	197,038	10.4	46.7
Eating & Drinking Places	5800	156,148	8.2	72.9
Business Services	7300	103,959	5.5	50.6
Transportation Equipment	3700	92,038	4.9	9.9
Wholesale Trade - Durable Goods	5000	74,642	3.9	76.2

Table 2, Top Five Small Business Industries in Washington by Employment, 1994

Industry	SIC	Employment in firms with 0 - 499 employees	Percent of Total	Percent Small
Total - All Industries	--	1,118,127	100.0	59.0
Eating & Drinking Places	5800	113,879	8.2	72.9
Health Services	8000	92,059	10.4	46.7
Special Trade Contractors	1700	66,832	3.7	94.6
Wholesale Trade - Durable Goods	5000	56,866	3.9	76.2
Business Services	7300	52,655	5.5	50.6

Table 3, Fastest Growing Industries for Small Business in Washington, 1993 - 1994

Industry	1993	1994	Amount Change	Percent Change
Total - All Industries	1,103,781	1,118,127	14,346	1.3
Nondepository Credit Institutions	3,879	5,402	1,523	39.3
Communications	4,734	5,298	564	11.9
Rubber & Miscellaneous Plastics Products	5,896	6,483	587	10.0
Electronic & Electrical Equipment & Components Except Computer	8,641	9,284	643	7.4
Educational Services	14,994	16,008	1,014	6.8

Sources: Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation of Women Business Owners, and Cognetics Inc.